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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

C15 OTHER CURRENT RECEIVABLES

	2007	2006
Prepaid expenses	**2,527**	2,212
Accrued revenues	**1,661**	1,124
Advance payments to suppliers	**679**	666
Derivatives with a positive value	**1,530**	3,802
Taxes	**4,610**	2,596
Other	**4,055**	4,612
Total	**15,062**	**15,012**

C16 EQUITY

Capital stock 2007

Capital stock at December 31, 2007, consisted of the following:

Parent Company	Number of shares	Capital stock
Class A shares	1,308,779,918	1,309
Class B shares	14,823,478,760	14,823
Total	**16,132,258,678**	**16,132**

The capital stock of the Company is divided into two classes: Class A shares (quota value SEK 1.00) and Class B shares (quota value SEK 1.00). Both classes have the same rights of participation in the net assets and earnings of the Company. Class A shares, however, are entitled to one vote per share while Class B shares are entitled to one tenth of one vote per share.

The total number of treasury shares at December 31, 2007, was 231,991,543 (251,013,892 in 2006, 268,065,241 in 2005) Class B shares. The number of treasury shares decreased during 2007 due to delivery and sale of shares in relation to the Stock Purchase Plans and the Stock Option Plans.

RECONCILIATION OF NUMBER OF SHARES

	Number of shares	Capital stock
Number of shares, Jan 1, 2007	16,132,258,678	16,132
Number of shares, Dec 31, 2007	16,132,258,678	16,132

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Dividend proposal

The Annual General Meeting 2008 resolved on a dividend of SEK 0.50 per share.

2007	Capital stock	Additional paid in capital	Revaluation of other investments in shares and participations	Cash flow hedges	Cumulative translation adjustments	Retained earnings	Stock–holders' equity	Minority interests	Total equity
January 1, 2007	**16,132**	**24,731**	**3**	**877**	**–5,569**	**83,939**	**120,113**	**782**	**120,895**
Actuarial gains and losses related to pensions									
Group	—	—	—	—	—	1,210	1,210	—	1,210
Associates						–2	–2		–2
Revaluation of other investments in shares and participations									
Fair value measurement reported in equity	—	—	2	—	—		2	—	2
Cash flow hedges									
Fair value remeasurement of derivatives reported in equity									
Group	—	—	—	580	—	—	580	—	580
Associates	—	—	—	4	—	—	4	—	4
Transferred to income statement for the period	—	—	—	–1,390	—	—	–1,390	—	–1,390
Changes in cumulative translation adjustments	—	—	—	—	—	—	—	—	—
Group	—	—	—	—	–1,155[1)]	—	–1,155	–1	–1,156
Associates	—	—	—	—	359	—	359	—	359
Tax on items reported directly in/or transferred from equity	—	—	—	236	20[2)]	–329	–73	—	–73
Total transactions reported directly in equity	—	—	2	–570	–776	879	–465	–1	–466
Net income									
Group						16,562	16,562	299	16,861
Associates						5,274	5,274		5,274
Total income and expenses recognized for the period	—	—	2	–570	–776	22,715	21,371	298	21,669
Sale of own shares	—	—	—	—	—	62	62	—	62
Stock Purchase and Stock Option Plans									
Group	—	—	—	—	—	528	528	—	528
Associates	—	—	—	—	—	–19	–19	—	–19
Dividends paid	—	—	—	—	—	–7,943	–7,943	–189	–8,132
Business combinations	—	—	—	—	—	—	—	49	49
December 31, 2007	16,132	24,731	5	307	–6,345	99,282	134,112	940	135,052

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

1) Changes in cumulative translation adjustments include changes regarding revaluation of goodwill in local currency of SEK –914 million (SEK –701 million in 2006, SEK 1,084 million in 2005), net gain/loss from hedging activities of foreign entities, SEK –52 million (SEK 123 million in 2006, SEK –142 million in 2005) and SEK –70 million (SEK –1 million in 2006, SEK 127 million in 2005) of realized gain/losses net from sold/liquidated companies.
2) Deferred tax on gains on hedges on net investments in foreign entities, SEK –72 million pre tax.

Additional paid in capital

Relates to payments made by owners and includes share premiums paid.

Revaluation of other investments in shares and participations

The fair value reserve comprises the cumulative net change in the fair value of available–for–sale financial assets until the investments are derecognized or impaired.

Cash flow hedges

The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash–flow–hedging instruments related to hedged transactions that have not yet occurred.

Cumulative translation adjustments

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, changes regarding revaluation of goodwill in local currency as well as from the translation of liabilities that hedge the Company's net investment in foreign subsidiaries.

Retained earnings

Retained earnings, including net income for the year, comprise the earned profits of Parent Company and its share of net income in subsidiaries, joint ventures and associated companies.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Capital stock	Additional paid in capital	Revaluation of other investments in shares and participations	Cash flow hedges	Cumulative translation adjustments	Retained earnings	Stockholders' equity	Minority interests	Total equity
2006									
January 1, 2006	16,132	24,731	5	−704	−2,493	63,951	101,622	850	102,472
Actuarial gains and losses related to pensions									
Group	—	—	—	—	—	437	437	—	437
Associates	—	—	—	—	—	3	3	—	3
Revaluation of other investments in shares and participations									
Fair value measurement reported in equity	—	—	−2	—	—	—	−2	1	−1
Cash flow hedges									
Fair value remeasurement of derivatives reported in equity									
Group	—	—	—	4,133	—	—	4,133	—	4,133
Associates	—	—	—	−33	—	—	−33	—	−33
Transferred to income statement for the period	—	—	—	−1,990	—	—	−1,990	—	−1,990
Transferred to balance sheet for the period	—	—	—	99	—	—	99	—	99
Changes in cumulative translation adjustments									
Group	—	—	—	—	−2,597	—	−2,597	−91	−2,688
Associates	—	—	—	—	−431	—	−431	—	−431
Tax on items reported directly in/or transferred from equity	—	—	—	−628	−48	−93	−769	—	−769
Total transactions reported directly in equity	—	—	−2	1,581	−3,076	347	−1,150	−90	−1,240
Net income									
Group	—	—	—	—	—	20,317	20,317	185	20,502
Associates	—	—	—	—	—	5,934	5,934		5,934
Total income and expenses recognized for the period	—	—	−2	1,581	−3,076	26,598	25,101	95	25,196
Sale of own shares	—	—	—	—	—	58	58	—	58
Stock purchase and stock option plans	—	—	—	—	—	473	473	—	473
Dividends paid	—	—	—	—	—	−7,141	−7,141	−202	−7,343
Stock issue, net	—	—	—	—	—	—	—	70	70
Business combinations	—	—	—	—	—	—	—	−31	−31
December 31, 2006	16,132	24,731	3	877	−5,569	83,939	120,113	782	120,895

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

2005	Capital stock	Additional paid in capital	Revaluation of other investments in shares and participations	Cash flow hedges	Cumulative translation adjustments	Retained earnings	Stockholders' equity	Minority interests	Total equity
January 1, 2005	16,132	24,731	—	—	−6,530	45,372	79,705	1,057	80,762
Changes in accounting policy	—	—	155	1,155		179	1,489	—	1,489
Adjusted opening balance	16,132	24,731	155	1,155	−6,530	45,551	81,194	1,057	82,251
Actuarial gains and losses related to pensions	—	—	—	—	—	−3,221	−3,221	—	−3,221
Revaluation of other investments in shares and participations									
Fair value measurement reported in equity	—	—	−3	—	—	—	−3	—	−3
Transferred to income statement at sale	—	—	−147	—	—	—	−147	—	−147
Cash flow hedges									
Fair value remeasurement of derivatives reported in equity									
Group	—	—	—	−3,968	—	—	−3,968	—	−3,968
Associates	—	—		7	—	—	7	—	7
Transferred to income statement for the period	—	—	—	1,404	—	—	1,404	—	1,404
Changes in cumulative translation adjustments									
Group	—	—	—	—	3,740	—	3,740	147	3,887
Associates	—	—	—	—	378	—	378	—	378
Tax on items reported directly in/or transferred from equity	—	—	—	698	−81	906	1,523	—	1,523
Total transactions reported directly in equity	—	—	−150	−1,859	4,037	−2,315	−287	147	−140
Net income									
Group	—	—	—	—	—	21,920	21,920	145	22,065
Associates	—	—	—	—	—	2,395	2,395	—	2,395
Total income and expenses recognized for the period	—	—	−150	−1,859	4,037	22,000	24,028	292	24,320
Sale of own shares	—	—	—	—	—	117	117	—	117
Stock Purchase and Stock Option Plans	—	—	—	—	—	242	242	—	242
Dividends paid	—	—	—	—	—	−3,959	−3,959	−174	−4,133
Stock issue, net	—	—	—	—	—	—	—	17	17
Business combinations	—	—	—	—	—	—	—	−342	−342
December 31, 2005	16,132	24,731	5	−704	−2,493	63,951	101,622	850	102,472

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

C17 POST–EMPLOYMENT BENEFITS

Ericsson sponsors a number of post–employment benefit plans throughout the Group, which are in line with market practice in each country. The year 2007 was characterized by an increase in discount rates throughout the world and an increase in the life expectancy assumption in Sweden.

This note is divided into the following sections:

1. Amount Recognized in the Consolidated Balance sheet
2. Total Pension Cost Recognized in the Income Statement
3. Change in the Defined Benefit Obligation, DBO
4. Change in the Plan Assets
5. Actuarial Gains and Losses Reported Directly in Equity (SORIE)
6. Actuarial Assumptions
7. Summary Information on Pension Plans per Geographical Zone

SECTION ONE: AMOUNT RECOGNIZED IN THE CONSOLIDATED BALANCE SHEET

	Sweden	UK	Eurozone	US	Other	Total
2007						
Defined Benefit Obligation (DBO)[1]	12,512	5,606	3,079	2,238	1,791	25,226
Fair value of plan assets[2]	9,463	4,854	2,104	1,779	2,036	20,236
Deficit/Surplus (+/–)	3,049	752	975	459	–245	4,990
Unrecognized past service costs	—	—	—	—	–83	–83
Closing balance	3,049	752	975	459	–328	4,907
Plans with net surplus[3]	—	39	426	99	717	1,281
Provision for post–employment benefits[4]	**3,049**	**791**	**1,401**	**558**	**389**	**6,188**
2006						
Defined Benefit Obligation (DBO)[1]	11,772	5,713	3,241	2,399	1,487	24,612
Fair value of plan assets[2]	9,141	3,897	1,959	1,818	1,580	18,395
Deficit/Surplus (+/–)	2,631	1,816	1,282	581	–93	6,217
Unrecognized past service costs	—	—	—	–6	–77	–83
Closing balance	2,631	1,816	1,282	575	–170	6,134
Plans with net surplus[3]	—	—	310	41	483	834
Provision for post–employment benefits[4]	**2,631**	**1,816**	**1,592**	**616**	**313**	**6,968**

1) For details on DBO, please refer to section 3 of this note.
2) For details on Plan assets, please refer to section 4 of this note.
3) Plans with a net surplus, i.e. where plan assets exceed DBO, are reported as Other financial assets, non–current (please see Note C12 "Financial Assets"). None of the Company's plans with net surplus are affected by restrictions on asset recognition.
4) Plans with net liabilities are reported in the Balance Sheet as Post–employment benefits, non–current.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

SECTION TWO: TOTAL PENSION COST RECOGNIZED IN THE INCOME STATEMENT

Costs for post–employment benefits within Ericsson are distributed between defined contribution plans and defined benefit plans, with a trend toward defined contribution plans.

	Sweden	UK	Eurozone	US	Other	Total
2007						
Pension cost for defined contribution plans	1,166	265	370	105	148	2,054
Pension cost for defined benefit plans[1]	471	279	128	42	100	1,020
Total	**1,637**	**544**	**498**	**147**	**248**	**3,074**
Total pension cost expressed as a percentage of wages and salaries						9.0%
2006						
Pension cost for defined contribution plans	1,350	—	195	93	82	1,720
Pension cost for defined benefit plans[1]	347	249	300	49	44	989
Total	**1,697**	**249**	**495**	**142**	**126**	**2,709**
Total pension cost expressed as a percentage of wages and salaries						8.4%
2005						
Pension cost for defined contribution plans	929	—	198	83	59	1,269
Pension cost for defined benefit plans[1]	417	71	200	101	107	896
Total	**1,346**	**71**	**398**	**184**	**166**	**2,165**
Total pension cost expressed as a percentage of wages and salaries						8.5%

1) See cost details in table below.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

COST DETAILS FOR DEFINED BENEFIT PLANS RECOGNIZED IN THE INCOME STATEMENT

	Sweden	UK	Eurozone	US	Other	Total
2007						
Current Service cost	473	257	186	33	140	1,089
Interest cost	435	307	135	139	109	1,125
Expected return on plan assets	−412	−285	−125	−135	−163	−1,120
Past service cost	—	—	—	3	8	11
Curtailments and Settlements	−25	—	−68	2	6	−85
Total	**471**	**279**	**128**	**42**	**100**	**1,020**
2006						
Current Service cost	431	228	279	47	92	1,077
Interest cost	406	177	133	146	104	966
Expected return on plan assets	−352	−169	−103	−140	−145	−909
Past service cost	—	31	—	5	13	49
Curtailments and Settlements	−138	−18	−9	−9	−20	−194
Total	**347**	**249**	**300**	**49**	**44**	**989**
2005						
Current Service cost	275	62	200	78	81	696
Interest cost	407	169	93	148	61	878
Expected return on plan assets	−267	−160	−93	−128	−63	−711
Past service cost	2	—	—	3	14	19
Curtailments and Settlements	—	—	—	—	14	14
Total	**417**	**71**	**200**	**101**	**107**	**896**

Sections three to six focus on the Defined Benefit plans.

SECTION THREE: CHANGE IN THE DEFINED BENEFIT OBLIGATION, DBO

	Sweden	UK	Eurozone	US	Other	Total
2007						
Opening balance	**11,772**	**5,713**	**3,241**	**2,399**	**1,487**	**24,612**
Current Service cost	473	257	186	33	140	1,089
Interest cost	435	307	135	139	109	1,125
Employee contributions	—	59	4	—	15	78
Pension payments	−72	−119	−89	−195	−68	−543
Actuarial gain/loss (−/+)	−71	−777	−482	−12	83	−1,259
Settlements	—	—	—	−2	−40	−42
Curtailments	−25	—	−68	2	6	−85
Business combinations [1)]	—	440	20	—	−6	454
Other	—	−8	−9	22	−42	−37
Translation difference	—	−266	141	−148	107	−166
Closing balance	**12,512**	**5,606**	**3,079**	**2,238**	**1,791**	**25,226**
Of which medical benefit schemes	—	—	—	533	—	533

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Sweden	UK	Eurozone	US	Other	Total
2006						
Opening balance	**11,632**	**3,795**	**2,475**	**2,863**	**1,549**	**22,314**
Current Service cost	431	228	279	47	92	1,077
Interest cost	406	177	133	146	104	966
Employee contributions	—	54	4	—	13	71
Pension payments	−69	−150	−60	−189	−69	−537
Actuarial gain/loss (−/+)	−208	767	−244	−159	−28	128
Settlements	−209	−18	—	—	−48	−275
Curtailments	−211	—	−9	−9	−19	−248
Business combinations [1)]	—	909	781	45	20	1,755
Other	—	29	—	37	1	67
Translation difference	—	−78	−118	−382	−128	−706
Closing balance	**11,772**	**5,713**	**3,241**	**2,399**	**1,487**	**24,612**
Of which medical benefit schemes	—	—	—	579	—	579

1) Business combinations in 2007 are related to the acquisition of Tandberg Television ASA. Business combinations in 2006 are related to the acquisition of Marconi.

FUNDED STATUS

The funded ratio, defined as total plan assets in relation to the total defined benefit obligation (DBO), was 80.2 percent in 2007, compared to 74.7 percent in 2006.

The following table summarizes the value of the DBO per geographical area in relation to whether there are, or not, plan assets wholly or partially funding each pension plan.

	Sweden	UK	Eurozone	US	Other	Total
2007						
DBO, closing balance	12,512	5,606	3,079	2,238	1,791	25,226
Of which partially or fully funded	12,043	5,606	1,945	1,680	1,440	22,714
Of which unfunded	469	—	1,134	558	351	2,512
2006						
DBO, closing balance	11,772	5,713	3,241	2,399	1,487	24,612
Of which partially or fully funded	11,284	5,713	1,995	1,794	1,269	22,055
Of which unfunded	488	—	1,246	605	218	2,557

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

SECTION FOUR: CHANGE IN THE PLAN ASSETS

	Sweden	UK	Eurozone	US	Other	Total
2007						
Opening balance	**9,141**	**3,897**	**1,959**	**1,818**	**1,580**	**18,395**
Expected return on plan assets	412	285	125	135	163	1,120
Actuarial gain/loss (+/–)	–89	—	–173	73	130	–59
Employer contributions	–1	622	128	13	83	845
Employee contributions	—	59	4	—	15	78
Pension payments	—	–127	–19	–142	–55	–343
Settlements	—	—	—	–2	–41	–43
Business combinations 1)	—	349	—	—	3	352
Other	—	—	–10	—	–18	–28
Translation difference	—	–231	90	–116	176	–81
Closing balance	**9,463**	**4,854**	**2,104**	**1,779**	**2,036**	**20,236**
2006						
Opening balance	**8,809**	**2,754**	**1,821**	**1,880**	**1,520**	**16,784**
Expected return on plan assets	352	169	103	140	145	909
Actuarial gain/loss (+/–)	261	26	38	–24	56	357
Employer contributions	—	191	99	211	61	562
Employee contributions	—	54	4	—	13	71
Pension payments	—	–151	–17	–136	–62	–366
Settlements	–281	—	—	—	–48	–329
Business combinations 1)	—	909	—	17	13	939
Other	—	—	–11	—	–1	–12
Translation difference	—	–55	–78	–270	–117	–520
Closing balance	**9,141**	**3,897**	**1,959**	**1,818**	**1,580**	**18,395**

1) Business combinations in 2007 are related to the acquisition of Tandberg Television ASA. Business combinations in 2006 are related to the acquisition of Marconi.

ACTUAL RETURN ON PLAN ASSETS

	Sweden	UK	Eurozone	US	Other	Total
2007	323	285	–48	208	293	1,061
2006	613	195	141	116	201	1,266

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

ASSET ALLOCATION

	Sweden	UK	Eurozone	US	Other	Total
2007						
Equities	2,943	1,874	1,159	1,442	479	7,897
Interest–bearing securities	6,520	2,387	847	316	1,381	11,451
Other	—	593	98	21	176	888
Total	9,463	4,854	2,104	1,779	2,036	20,236
Of which Ericsson's securities	—	—	—	—	—	—
2006						
Equities	2,377	1,802	1,142	1,058	353	6,732
Interest–bearing securities	6,764	1,914	714	696	1,087	11,175
Other	—	181	103	64	140	488
Total	9,141	3,897	1,959	1,818	1,580	18,395
Of which Ericsson's securities	—	—	—	—	—	—

The expected contributions to the defined benefit plans during 2008 will be slightly higher than in 2007.

SECTION FIVE: ACTUARIAL GAINS AND LOSSES REPORTED DIRECTLY IN EQUITY

	2007	2006
Cumulative gain/loss (–/+) at beginning of year	**3,065**	3,483
Recognized gain/loss (–/+) during the year	**–1,200**	–230
Translation difference	**–55**	8
Effects related to business combinations [1]	**–4**	–196
Cumulative gain/loss (–/+) at end of year [2]	**1,806**	3,065

1) Related to the acquisition of Tandberg Television ASA during 2007, and the divestiture of Defense Business during 2006.
2) No cumulative gain/loss is related to terminated pension plans.

Since January 1, 2006, Ericsson applies immediate recognition of actuarial gains and losses directly in equity, as disclosed in the statement of recognized income and expense (SORIE). Actuarial gains and losses may arise from either a change in actuarial assumptions or in deviations between estimated and actual outcome.

MULTI–YEAR SUMMARY

	2007	2006	2005	2004
Plan assets	**20,236**	18,395	16,784	5,764
DBO	**25,226**	24,612	22,314	16,820
Deficit/Surplus (–/+)	**–4,990**	–6,217	–5,530	–11,056
Actuarial gains and losses (–/+)				
Experience–based adjustments of pension obligations	**–76**	232	–415	–56
Experience–based adjustments of plan assets	**59**	–358	–706	–146

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

SECTION SIX: ACTUARIAL ASSUMPTIONS

	Sweden	UK	Eurozone1)	US	Other1)
2007					
Discount rate	4.4%	5.6%	5.42%	6.25%	8.84%
Expected return on plan assets for the year	4.55%	6.75%	6.14%	7.5%	9.75%
Future salary increases	3.25%	4.6%	3.08%	4.5%	6.76%
Health care cost inflation, current year	n/a	n/a	n/a	9.5%	n/a
Life expectancy after age 65 in years, males	21	21	22	18	18
Life expectancy after age 65 in years, females	24	24	25	20	22
2006					
Discount rate	3.7%	5.0%	4.5%	6.0%	8.25%
Expected return on plan assets for the year	4.0%	6.2%	5.75%	8.0%	9.5%
Future salary increases	3.0%	4.5%	3.0%	4.5%	6.0%
Health care cost inflation, current year	n/a	n/a	n/a	10.0%	n/a
Life expectancy after age 65 in years, males	18	21	20	18	17
Life expectancy after age 65 in years, females	22	24	24	20	20

1) Weighted average

- Actuarial assumptions are assessed on a quarterly basis.
- The discount rate for each country is determined by reference to market yields on high–quality corporate bonds. In countries where there is no deep market in such bonds, the market yields on government bonds are used.
- The overall expected long–term return on plan assets is a weighted average of each asset category's expected rate of return. The expected return on interest–bearing investments is set in line with each country's market yield. Expected return on equities is derived from each country's risk free rate with the addition of a risk premium.
- Salary increases are partially affected by fluctuation in inflation.
- The net periodic pension cost and the present value of the DBO for current and former employees are calculated using the Projected Unit Credit (PUC) actuarial cost method, which objective is to spread the cost of each employee's benefits over the period that the employee works for the company.

SENSITIVITY ANALYSIS FOR MEDICAL BENEFIT SCHEMES

The effect (in SEK million) of a one percentage point change in the assumed trend rate of medical cost would have the following effect:

	1 percent increase	1 percent decrease
Net periodic post–employment medical cost	4	–3
Accumulated post–employment benefit obligation for medical costs	48	–42

SECTION SEVEN: SUMMARY INFORMATION ON PENSION PLANS PER GEOGRAPHICAL ZONE

Applicable to all countries: In 2007, discount rates have increased resulting in a decrease in the DBO, and consequently an actuarial gain.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Overall, there is a trend towards increased usage of defined contribution plans. Some defined benefit plans have been closed for new entrance and will gradually be replaced by defined contribution plans.

Specific information per geographical area:

Sweden:

In 2007, the Swedish Financial Supervisory Authority issued new mortality tables which have been adopted in the calculation of the DBO at December 31, 2007. The life expectancy for males increased by three years and females one year, resulting in an increase in the DBO and consequently an actuarial loss.

The trend towards defined contribution pension solutions is also applicable in Sweden, since the collectively agreed ITP Plan, which historically has been a defined benefit plan, has been renegotiated and, as from July 1, 2007, the parties have agreed to launch a new ITP Plan. The new plan is a defined contribution plan which will be open for new participants in the ITP system, whereas earlier participants will continue in the old plan.

As before, Ericsson has secured the disability– and survivors' pension part of the ITP Plan through an insurance solution with the insurance company Alecta. Although this part of the plan is classified as a multi–employer defined benefit plan, it has not been possible for Ericsson to get sufficient information to apply defined benefit accounting, and therefore, it has been accounted for as a defined contribution plan. At the end of 2007, Alecta reported a surplus of 52 procent (43 procent in 2006). Such surplus reflects the fair value of Alecta's plan assets as a percentage of plan commitments, then measured in accordance with Alecta's actuarial assumptions, which are different from those in IAS 19. Alecta's surplus may be distributed to the members of the plan and/or plan participants.

UK:

In 2007, the acquisition of Tandberg Television ASA increased the DBO by SEK 440 million, and the plan assets by SEK 349 million.

Euro zone:

Germany, Italy and Ireland are the countries with the most significant defined benefit pension plans for the Group.

The acquisition of the German company LHS AG did not have any effect on the DBO since the company only has defined contribution plans.

In Italy, the parliament approved the reform of the "statutory severance indemnity—TFR" to be effective per January 1 2007. This reform changes the nature of the pension plans from defined benefit to defined contribution. The defined benefit plans are closed per December 31 2006.

In Ireland, the life expectancy increased by two years for both males and females.

US & Other:

No issues except for the increase in discount rate.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

C18 PROVISIONS

	Warranty commitments	Restructuring	Project related	Other1)	Total2)
2007					
Opening balance	**2,961**	**2,277**	**3,272**	**5,372**	**13,882**
Additions	1,472	676	1,795	1,216	5,159
Reversal of excess amounts	−861	−400	−1,080	−1,409	−3,750
Negative effect on Income Statement					*1,409*
Utilization/Cash out	−1,755	−1,680	−1,383	−1,490	−6,308
Balances regarding divested/acquired businesses	22	—	—	−11	11
Reclassification	−24	123	−5	510	604
Translation differences	−1	55	20	54	128
Closing balance	**1,814**	**1,051**	**2,619**	**4,242**	**9,726**
2006					
Opening balance	**4,821**	**2,314**	**5,007**	**6,526**	**18,668**
Additions	2,561	2,765	2,544	2,876	10,746
Reversal of excess amounts	−1,100	−416	−872	−2,359	−4,747
Negative effect on Income Statement					*5,999*
Utilization/Cash out	−3,471	−2,308	−3,352	−1,209	−10,340
Balances regarding divested/acquired businesses	224	20	76	−100	220
Reclassification	15	19	25	−146	−87
Translation differences	−89	−117	−156	−216	−578
Closing balance	**2,961**	**2,277**	**3,272**	**5,372**	**13,882**

1) Off–balance customer financing is included in other provisions.
2) Of which non–current SEK 368 (602) million.
Other has been split into two different categories, project related and other. 2006 figures have been restated accordingly.

PROVISIONS

Risk assessment in the ongoing business is performed monthly to identify the need for new additions and reversals. Management uses its best judgment to estimate provisions based on this assessment. The actual utilization for 2007 was SEK 6.3 billion compared to the estimated SEK 8.3 billion. In certain circumstances, provisions are no longer required due to more favorable outcomes than anticipated, and that will affect the provisions as a reversal. In other cases the outcome can be negative, and in that case a cost will be booked directly in the income statement. For 2007, new or additional provisions amounting to SEK 5.2 billion were made, and SEK 3.8 billion were reversed. The expected utilization in 2008 is approximately SEK 6 billion.

For more information, see Note C1, "Significant Accounting Policies" and Note C2 "Critical Accounting Estimates and Judgments".

WARRANTY COMMITMENTS

Warranty provisions are based on historic quality rates for established products as well as estimates regarding quality rates for new products and costs to remedy the various types of faults predicted. The actual

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

utilization for 2007 was SEK 1.8 billion, compared to the expected SEK 2.2 billion. Provisions amounting to SEK 1.5 billion were made and due to more favorable outcomes in certain cases reversals of SEK 0.9 billion were made. The expected utilization of warranty provisions during year 2008 is approximately SEK 1 billion.

RESTRUCTURING

There have not been any major new restructuring provisions made during 2007. Restructuring provisions amounting to SEK 1.7 billion were utilized during 2007, in line with the expected SEK 1.6 billion. The major part of the provisions utilized during 2007 refers to provisions made in 2006 related to the Marconi integration and the Career change offer in Sweden. The expected utilization of restructuring provisions during 2008 is approximately SEK 1 billion.

PROJECT RELATED

Project related provisions include onerous (estimated losses) contracts, contractual penalties and undertakings. The utilization of project related provisions were SEK 1.4 billion compared to the estimated SEK 1.7 billion. Provisions amounting to SEK 1.8 billion were made and SEK 1.1 billion were reversed due to a more favorable outcome than expected. The expected utilization for 2008 is estimated to be approximately SEK 2 billion.

OTHER

Other provisions include provisions for income taxes, value added tax issues, litigations, supplier claims, customer financing and other provisions. The utilization was SEK 1.5 billion in 2007 compared to the estimate of SEK 2.8 billion. New provisions amounting to SEK 1.2 billion were made and SEK 1.4 billion were reversed during the year due to a more favorable outcome. For 2008 the expected utilization is approximately SEK 2 billion.

C19 INTEREST–BEARING LIABILITIES

Ericsson's outstanding interest–bearing liabilities were SEK 27.2 (14.6) billion as of December 31, 2007.

INTEREST–BEARING LIABILITIES

	2007	2006
Borrowings, current		
Current part of non–current borrowings[1)]	**3,065**	88
Other current borrowings	**2,831**	1,592
Total current borrowings	**5,896**	1,680
Borrowings, non–current		
Notes and bond loans	**19,380**	11,204
Other borrowings, non–current	**1,940**	1,700
Total non–current interest– bearing liabilities	**21,320**	12,904
Total interest–bearing liabilities	**27,216**	14,584

1) Including notes and bond loans of SEK 2,898 (0) million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

All outstanding notes and bond loans are issued by the Parent Company under its Euro Medium Term Note program. Bonds issued at a fixed interest rate are swapped to a floating interest rate using interest rate swaps, resulting in a weighted average interest rate of 5.48 percent at December 31, 2007. These bonds are revalued based on changes in benchmark interest rates according to the fair value hedge methodology stipulated in IAS 39.

In June 2007 Ericsson successfully placed a bond issuance. The transaction comprised a EUR 875 million dual–tranche Eurobond, consisting of a EUR 375 million seven–year floating rate note and a EUR 500 million ten–year fixed rate note, as well as a SEK 3 billion five–year note. The bond issues will materially lengthen Ericsson's average debt maturity profile. Ericsson last accessed the Eurobond market in 2004.

NOTES AND BOND LOANS

Issued–maturing	Nominal Amount	Coupon	Currency	Book value (SEK m.)	Maturity date (yy–mm–dd)	Unrealized hedge gain/loss (incl. in book value)
1999–2009	483	6.500%	USD	3,166 3)	09–05–20	–61
2001–2008	226 1)	7.375%	GBP	2,898 3)	08–06–05	8
2003–2010	471 2)	6.750%	EUR	4,462 3)	10–11–28	–14
2004–2012	450	3.935%	SEK	450	12–12–07 4)	
2007–2012	1,000	5.100%	SEK	1,002 3)	12–06–29	–4
2007–2012	2,000	3.710%	SEK	2,000	12–06–29 5)	
2007–2017	500	5.380%	EUR	4,757 3)	17–06–27	–65
2007–2014	375	4.459%	EUR	3,543	14–06–27 6)	
Total				**22,278**		**–136**

1) The GBP 226 million bond has interest rates linked to the Company's credit rating. The interest will increase/decrease 0.25 percent per annum for each rating notch change per rating agency (Moody's and Standard & Poor's). The interest rate applicable to this bond cannot be less than the initial interest rates in the loan agreements.
2) The EUR 471 million bond is callable after 2007; the fair value of the embedded derivative is included in the book value of the bond.
3) Interest rate swaps are designated as fair value hedges.
4) Contractual repricing date 2008–06–09.
5) Contractual repricing date 2008–03–29.
6) Contractual repricing date 2008–03–27.

C20 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Ericsson's financial risk management is governed by a policy approved by the Board of Directors. The Finance Committee of the Board of Directors is responsible for overseeing the capital structure and financial management of the Company and approving certain matters such as acquisitions, investments, customer financing commitments, guarantees and borrowing and is continuously monitoring the exposure to financial risks.

Ericsson defines its managed capital as the total Group equity. For Ericsson, a robust financial position with a strong equity ratio, investment grade rating, low leverage and ample liquidity is necessary. This provides us with the financial flexibility and independence to operate and manage variations in working capital needs as well as capitalize on business opportunities.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Company's overall capital structure should support the financial targets: to grow faster than the market, deliver best in class margins and generate a healthy cash flow. The capital structure is managed by balancing equity, debt financing and liquidity in such a way that we secure funding of our operations at a reasonable cost of capital. Regular borrowings are complemented with committed credit facilities to give additional flexibility to manage unforeseen funding needs. We strive to finance our growth, normal capital expenditures and dividends to shareholders by generating sufficient positive cash flows from operating activities.

Our capital objectives are:

- an equity ratio above 40 percent
- a cash conversion rate above 70 percent
- maintain a positive net cash position
- maintain a solid investment grade rating from Moody's and Standard & Poor's

	2007	2006
Capital (SEK billion)	135	121
Capital objective		
Equity ratio (percent)	55	56
Cash conversion rate (percent)	66	57
Positive net cash (SEK billion)	24.3	40.7
Credit rating		
Moody's	Baa1	Baa2
Standard & Poor's	BBB+	BBB–

Ericsson has a treasury function with the principal role to ensure that appropriate financing is in place through loans and committed credit facilities, to actively manage the Group's liquidity as well as financial assets and liabilities, and to manage and control financial risk exposures in a manner consistent with underlying business risks and financial policies. Hedging activities, cash management and insurance management are largely centralized to the treasury function in Stockholm.

Ericsson also has a customer finance function with the main objective to find suitable third–party financing solutions for customers and to minimize recourse to Ericsson. To the extent customer loans are not provided directly by banks, the Parent Company provides or guarantees vendor credits. The customer finance function monitors the exposure from outstanding vendor credits and credit commitments.

Ericsson classifies financial risks as:

- foreign exchange risk
- interest rate risk
- credit risk
- liquidity and refinancing risk
- market price risk in own and other listed equity instruments.

The Board of Directors has established risk limits for defined exposures to foreign exchange and interest rate risks as well as to political risks.

For further information about accounting policys please see Note C1—"Significant Accounting Policies".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

FOREIGN EXCHANGE RISK

Ericsson is a global company with sales mainly outside Sweden. Revenues and costs are to a large extent in currencies other than SEK and therefore the financial results of the Group may be impacted through currency fluctuations.

Ericsson has a structural mismatch between revenues and costs in different currencies and is therefore exposed to various currency combinations. These currency combinations and exposures will vary over time.

Ericsson reports the financial accounts in SEK and movements in exchange rates between currencies will affect:

- specific line items such as Net sales and Operating income
- the comparability of our results between periods; and,
- the carrying value of assets and liabilities.

The results of operations and financial position of non–Swedish sub–sidiaries are reported in other currencies than SEK, and thus translated into SEK upon consolidation.

	Overall Exposure		Transaction Exposure in SEK entities	
Currency	Net Sales	Purchases	Internal Sales 2)	Purchases 3)
USD 1)	41%	32%	44%	38%
EUR	27%	25%	33%	21%
GBP	4%	5%	2%	1%
SEK	3%	20%	2%	38%
JPY	3%	1%	5%	1%
AUD	3%	2%	3%	0%
INR	2%	2%	0%	0%
CNY	7%	5%	0%	0%
Other	10%	8%	11%	1%

1) Including USD related currencies except CNY.
2) Eliminated upon consolidation. However, net impact on Cost of Sales as the Internal purchases normally is in functional currency of the buying company.
3) 39 percent of overall purchases, offsetting Internal Sales.

Net sales and Operating income are affected by changes in foreign exchange rates from two different kinds of exposures;

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

OUTSTANDING DERIVATIVES

		2007			2006		
	Currency	Nominal currency	Asset SEK	Liability SEK	Nominal currency	Asset SEK	Liability SEK
Currency derivatives							
Maturity up to one year	USD	3,786	783	558	6,764	2,281	726
	EUR	2,546	20	531	2,062	370	70
	Other		42	−78 1)		456	−40 1)
Total maturity up to one year			**845**	**1,011**		**3,107**	**756**
Maturity one to three years	USD	575	131	15	109	63	29
	EUR	1,026	13	78	1,043	90	0
	Other		1	−10 1)		58	−17 1)
Total maturity one to three years			**145**	**83**		**211**	**12**
Maturity three to five years	EUR	—			471	17	0
Total maturity three to five years			**—**	**—**		**17**	**0**
Total currency derivatives			**990**	**1,094**		**3,335**	**768**
(of which is included in Cash flow hedge relations)			416	13		1,239	158

1) Negative amounts relate to effects from one exposure of a derivative that is positive/negative while the total effect of the derivative is the opposite.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

		2007			2006		
	Currency	Nominal currency	Asset SEK	Liability SEK	Nominal currency	Asset SEK	Liability SEK
Interest derivatives							
Maturity up to one year	EUR	1,500	16	15	260	—	2
	NOK	10,120	42	7	24,289	12	23
	SEK	24,157	21	30	42,820	119	63
	USD	—	1	1	—	—	—
	GBP	276	114	1	—	—	—
	Other		—	—		—	4
Total maturity up to one year			**194**	**54**		**131**	**92**
Maturity one to three years	SEK	30,823	24	21			
	GBP	—	—	—	226	115	—
	NOK	9	26	18	25,275	43	−2 2)
	EUR	1,112	13	14	—	—	
	USD	483	163	—	483	180	8
	Other		—	3		5	6
Total maturity one to three years			**226**	**56**		**343**	**12**
Maturity three to five years	EUR	107	5	4	434	94	—
	USD	—	—	—	50	6	—
	SEK	2,000	27	−1 2)	—	—	—
Total maturity three to five years			**32**	**3**		**100**	—
Maturity more than five years	SEK	1,305	5	3	1,428	9	11
	EUR	526	179	—	—	—	—
Total maturity more than five years			**184**	**3**		**9**	**11**
Total interest derivatives			**636 1)**	**116**		**583 1)**	**115**
(of which is included in Fair Value hedgerelations)			478	—	—	385	—

1) Of which 96 million is reported as non–current assets for 2007 and 116 million for 2006
2) Negative amounts relate to effects from one exposure of a derivative that is positive/negative while the total effect of the derivative is the opposite.

Transaction exposure

- Sales and Cost of sales in non–reporting currencies in individual group companies. to a large extent the exposure is concentrated to the Swedish subsidiary Ericsson AB
- These exposures are addressed by hedging

Translation exposure

- Sales and Cost of sales in foreign entities are translated into SEK
- These exposures cannot be addressed by hedging

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The current policy for hedging transaction exposures and due to the fact that translation exposure can't be hedged, results in that only around a fifth of the Group's foreign exchange exposure in net sales is hedged. The hedge effect on operating margin is larger, as it is a net of sales and cost of sales.

Transaction exposure

Foreign exchange risk is as far as possible concentrated to Swedish group companies, primarily Ericsson AB. Sales to foreign subsidiaries are normally invoiced in the functional currency of the receiving entity, and export sales from Sweden to external customers are normally denominated in USD or other foreign currency. In order to limit the exposure toward exchange rate fluctuations on future revenue or expenditure, committed and forecasted future sales and purchases in major currencies are hedged, for the coming 6–12 months. During 2007, the only entity performing hedge accounting on forecasted transactions was Ericsson AB.

According to policy the transaction exposure in the subsidiaries' balance sheets (i.e. trade receivables and payables and customer financing receivables) should be fully hedged. Group Treasury has a mandate to leave selected transaction exposures in local companies' balance sheets un–hedged up to an aggregate risk of VaR SEK 20 million, given a confidence level of 99 percent and a 1 day horizon.

External forward contracts are designated as cash flow hedges of the net exposure for the main currencies and companies of the Group.

Other foreign exchange exposures in balance sheet items are hedged through offsetting balances or derivatives.

As of December 31, 2007, outstanding foreign exchange derivatives hedging transaction exposures had a positive net market value of SEK 0.1 (2.3) billion. The market value is partly deferred in the hedge reserve in equity to offset the gains/losses on hedged future sales in foreign currency. The remaining positive balance corresponds to depreciation of trade receivable balances being remeasured at lower rates compared to the exchange rates prevailing when originated.

Cash flow hedges

The purpose of hedging future cash flows is to protect operating margin and reduce volatility in the Income statement. Hedging is done by selling or buying foreign currencies against the functional currency of the hedging entity using FX forwards.

Hedging is done based on a rolling 12–month exposure forecast. Ericsson uses a layered hedging approach where the closest quarters are hedged to a higher degree than coming quarters. Each consecutive quarter is hereby hedged on several occasions and is covered by an aggregate of hedging contracts initiated at various points in time which supports the objective of reducing volatility in the income statement from changes in foreign exchange rates.

Translation exposure in net assets

Ericsson has many subsidiaries operating outside Sweden with other functional currencies than SEK. The net results in such companies and the value of such foreign equity investments are exposed to exchange rate fluctuations, which affect the consolidated income statement and balance sheet when translated to SEK.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Translation exposure in foreign subsidiaries is hedged according to the following policy established by the Board of Directors:

Translation risk related to equity in foreign subsidiaries is hedged up to 20 percent in selected companies. The translation differences reported in equity during 2007 were negative, SEK 0.8 billion, including hedging gains of SEK 0.1 billion. Translation risk related to forecasted results from foreign operations is not hedged.

Net Investment hedges

The purpose of net investment hedges is to protect the value in SEK of net investments in foreign entities from changes in the relevant foreign exchange rates. Hedging is done selling the relevant foreign currency against SEK using FX forwards.

INTEREST RATE RISK

Ericsson is exposed to interest rate risk through market value fluctuations in certain balance sheet items and through changes in interest expenses and revenues. The net cash position was SEK 24.3 (40.7) billion at the end of 2007, consisting of cash, cash equivalents and short–term cash investments of SEK 57.7 (62.3) billion and interest–bearing liabilities and post–employment benefits of SEK 33.4 (21.6) billion.

Ericsson manages the Interest rate risk by (i) matching fixed and floating interest rates in interest–bearing balance sheet items and (ii) avoiding significant fixed interest rate exposure in Ericsson's net cash position. The policy is that interest–bearing assets shall have an average interest duration between 6 and 18 months and interest–bearing liabilities an average interest duration shorter than 6 months, taking derivative instruments into consideration. Treasury has a mandate to deviate from the asset management benchmark given by the Board and take FX positions up to an aggregate risk of VaR SEK 30 m. given a confidence level of 99 percent and a 1 day horizon.

As of December 31, 2007, 92 (100) percent of Ericsson's interest–bearing liabilities and 100 (99) percent of Ericsson's interest–bearing assets had floating interest rates, i.e. interest periods of less than 12 months.

When managing the interest rate exposure, Ericsson uses derivative instruments, such as interest rate swaps. Derivative instruments used for converting fixed rate debt into floating rate debt are designated as Fair value hedges.

Fair value hedges

The purpose of fair value hedges is to hedge the variability in the fair value of fixed–rate debt (issued bonds) from changes in the relevant benchmark yield curve for its entire term by converting fixed interest payments to a floating rate (e.g. STIBOR or LIBOR) by using interest rate swaps (IRS). The credit risk/spread is not hedged.

The fixed leg of the IRS is matched against the cash flows of the hedged bond. Hereby the fixed–rate bond/debt is converted into a floating–rate debt, in accordance with the policy.

SENSITIVITY ANALYSIS

Ericsson uses the Value at Risk (VaR) methodology to measure foreign exchange and interest rate risk in portfolios managed by Treasury. This statistical method expresses the maximum potential loss that can arise with

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

a certain degree of probability during a certain period of time. For the VaR measurement, Ericsson has chosen a probability level of 99 percent and a 1–day time horizon. The daily VaR measurement uses market volatilities and correlations based on historical daily data (one year).

The average VaR calculated for 2007 was for the interest rate mandate SEK 16.1 (12.3) million and for the transaction exposure mandate SEK 13.5 million (new mandate from January 1, 2007). No VaR–limits were exceeded during 2007. The VaR method has been introduced as of 2007, due to the implementation of IFRS 7.

FINANCIAL CREDIT RISK

Financial instruments carry an element of risk in that counterparts may be unable to fulfill their payment obligations. This exposure arises in the investments in cash, cash equivalents, short term Investments and from derivative positions with positive unrealized result against banks and other counterparties.

Ericsson mitigates these risks by investing cash primarily in well–rated commercial papers, treasury bills and floating rate notes with short–term ratings of at least A–2/P–2 and long–term ratings of at least A–/A3 and in liquidity funds with a rating of at least A. Separate credit limits are assigned to each counterpart in order to minimize risk concentration. We have had no sub–prime exposure in our investments. All derivative transactions are covered by ISDA netting agreements to reduce the credit risk. No credit losses were incurred during 2007, neither on external investments nor on derivative positions.

At December 31, 2007, the credit risk in financial cash instruments was equal to the instruments' carrying value. Credit exposure in derivative instruments was SEK 1.6 (3.9) billion.

LIQUIDITY RISK

Liquidity risk is that Ericsson is unable to meet its short–term payment obligations due to insufficient or illiquid cash reserves.

Ericsson maintains sufficient liquidity through centralized cash management, investments in highly liquid interest–bearing securities, and by having sufficient committed credit lines in place to meet potential funding needs. For information about contractual obligations please see Board of Directors' Report. The current cash position is deemed to satisfy all short–term liquidity requirements.

During 2007, cash and bank and short–term cash investments decreased by SEK 4.6 billion to SEK 57.7 billion despite issuance of non–current debt. The decrease was mainly due to investments in new business acquisitions and dividend. The decrease was partly offset by a positive operating cash flow.

CASH AND SHORT–TERM CASH INVESTMENTS

	Remaining time to maturity				
(SEK billion)	<3 months	<1 year	1–5 years	>5 years	Total 2007
2007	29.8	18.0	8.9	1.0	57.7
2006	33.0	9.0	20.3	—	62.3

The instruments are either classified as held for trading or assets available for sale with maturity less than one year and therefore short–term investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

REFINANCING RISK

Refinancing risk is the risk that Ericsson is unable to refinance outstanding debt at reasonable terms and conditions, or at all, at a given point in time.

REPAYMENT SCHEDULE OF LONG–TERM BORROWINGS [1)]

Nominal amount (SEK billion)	Current maturities of long–term debt	Notes and bonds (non–current)	Liabilities to financial institutions (non–current)	Total
2008	2.9	—	—	2.9
2009	—	3.1	—	3.1
2010	—	4.5	0.1	4.6
2011	—	—	—	—
2012	—	3.5	—	3.5
2013	—	—	0.1	0.1
2014	—	3.5	0.1	3.6
2015	—	—	—	—
2016	—	—	—	—
2017	—	4.7	0.2	4.9
Total	**2.9**	**19.3**	**0.5**	**22.7**

1) Excluding finance leases reported in Note C27, "Leasing".

Debt financing is mainly carried out through borrowing in the Swedish and international debt capital markets.

Bank financing is used for certain subsidiary funding and to obtain committed credit facilities.

FUNDING PROGRAMS

	Amount	Utilized	Unutilized
Euro Medium–Term Note program (USD m.)	5,000	3,051	1,949
Euro Commercial Paper program (USD m.)	1,500	—	1,500
Swedish Commercial Paper program (SEK m.)	5,000	—	5,000
Long–term Committed Credit facility (USD m.)	2,000	—	2,000
Indian Commercial Paper program (INR m)	3,000	—	3,000
Short–term Committed Credit facilities (SEK m.)	273	—	273

On July 16th, 2007, Ericsson entered into a USD 2.0 billion long–term committed credit facility agreement. The USD 2.0 billion facility replaces the previous USD 1.0 billion facility. The new facility does not have interest rates linked to credit rating or financial covenants.

Both Moody's credit rating agency and Standard & Poor's (S&P) raised Ericsson's credit rating during 2007. At year–end, their ratings of Ericsson's creditworthiness were Baa1 (Baa2) for Moody's and BBB+ (BBB–) for S&P, both considered to be "Solid Investment Grade".

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FINANCIAL INSTRUMENTS CARRYING AMOUNT

SEK billion	Customer financing	Trade receivables C14	Short-term investments	Cash and cash equivalents	Borrowings C19	Trade payables C22	Other financial assets C12	Other current receivables C15	Other current liabilities C21	2007	2006
Assets at fair value through profit or loss			29.0	9.8				1.5	−1.2	**39.1**	46.5
Loans and receivables	3.4	60.5		1.6			2.3			**67.8**	57.8
Available for sale assets			0.3	0.1			0.7			**1.1**	0.7
Financial liabilities at amortized cost					−27.2	−17.4				**−44.6**	−32.8
Total	**3.4**	**60.5**	**29.3**	**11.5**	**−27.2**	**−17.4**	**3.0**	**1.5**	**−1.2**	**63.4**	**72.2**

FINANCIAL INSTRUMENTS CARRIED AT OTHER THAN FAIR VALUE

In the following tables, carrying amounts and fair values of financial instruments that are carried in the financial statements at other than fair values are presented. Assets valued at fair value through profit or loss showed a net gain of SEK 987 million. For further information about valuation principles, please see Note C1, "Significant accounting policies".

FINANCIAL INSTRUMENTS CARRIED AT OTHER THAN FAIR VALUE

(SEK billion)	Carrying amount		Fair value	
	2007	2006	2007	2006
Current maturities of non–current borrowings	**2.9**	0.1	**3.1**	0.1
Notes and bonds	**19.4**	11.2	**19.4**	11.7
Total	**22.3**	11.3	**22.5**	11.8

Financial instruments excluded from the tables, such as trade receivables and payables, are carried at amortized cost which is deemed to be equal to fair value. When a market price is not readily available and there is insignificant interest rate exposure affecting the value, the carrying value is considered to represent a reasonable estimate of a fair value.

MARKET PRICE RISK IN OWN SHARES AND OTHER LISTED EQUITY INVESTMENTS

Risk related to our own share price

Ericsson is exposed to the development of its own share price through stock option and stock purchase plans for employees. The obligation to deliver shares under these plans is covered by holding Ericsson Class B shares as treasury stock and warrants for issuance of new Ericsson Class B shares. An increase in the share price will result in social security charges, which represents a risk to both income and cash flow. The cash flow exposure is fully hedged through the holding of Ericsson Class B shares as treasury stock to be sold to generate funds to cover also social security payments, and through the purchase of call options on Ericsson Class B shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

C21 OTHER CURRENT LIABILITIES

	2007	2006
Income tax liabilities	**1,126**	1,969
Advances from customers	**3,419**	1,441
Liabilities to associated companies	**49**	31
Accrued interest	**466**	365
Accrued expenses, of which	**21,369**	19,040
employee related	***9,443***	*8,042*
other	***11,926***	*10,998*
Deferred revenues	**5,961**	4,583
Derivatives with a negative value	**1,210**	883
Other	**11,395**	8,866
Total	**44,995**	37,178

C22 TRADE PAYABLES

	2007	2006
Payables to associated companies and joint ventures	**90**	730
Other	**17,337**	17,453
Total	**17,427**	18,183

C23 ASSETS PLEDGED AS COLLATERAL

	2007	2006
Assets pledged as collateral	**1,639**	—
Chattel mortgages	**130**	114
Bank deposits	**230**	171
Total	**1,999**	285

C24 CONTINGENT LIABILITIES

	2007	2006
Contingent liabilities	**1,182**	1,392
Total	**1,182**	1,392

Contingent liabilities assumed by Ericsson include guarantees of loans to other companies of SEK 73 (95) million. Ericsson has SEK 492 (496) million issued to guarantee the performance of a third party.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

C25 STATEMENT OF CASH FLOWS

Interest paid in 2007 was SEK 1,513 million (SEK 1,353 million in 2006, SEK 2,577 million in 2005) and interest received was SEK 1,864 million (SEK 1,539 million in 2006, SEK 2,142 million in 2005). Taxes paid, including withholding tax, were SEK 5,116 million (SEK 3,649 million in 2006, SEK 2,010 million in 2005).

For more information regarding the disposition of cash and cash equivalents and unutilized credit commitments, see Note C20—"Financial Risk Management and Financial Instruments".

Cash restricted due to currency restrictions or other legal restrictions in certain countries amounted to SEK 5,797 million (SEK 5,794 million in 2006, SEK 3,773 million in 2005).

ADJUSTMENTS TO RECONCILE NET INCOME TO CASH

	2007	2006	2005
Property, plant and equipment			
Depreciation	**3,121**	3,007	2,804
Impairment losses/reversals of impairments	**−207**	30	−366
Total	**2,914**	3,037	2,438
Intangible assets			
Amortization			
Capitalized development expenses	**2,371**	2,277	3,009
Intellectual Property Rights, brands and other intangible assets	**3,062**	1,960	260
Total amortization	**5,433**	4,237	3,269
Impairments			
Capitalized development expenses	**16**	242	95
Intellectual Property Rights, brands and other intangible assets	—	—	—
Total impairment losses	**16**	242	95
Total	**5,449**	4,479	3,364
Total depreciation, amortization and impairment losses on property, plant and equipment and intangible assets	**8,363**	7,516	5,802
Taxes	**1,119**	4,282	5,518
Dividends from joint ventures/ associated companies	**4,223**	1,262	31
Undistributed earnings in joint ventures/associated companies	**−5,636**	−4,233	−2,154
Impairment losses on other investments in shares and participations and capital gains (−)/losses on sale of fixed assets, excluding customer financing, net	**−254**	−2,815	35
Other non−cash items	**−643**	48	1,468
Total adjustments to reconcile net Income to cash	**7,172**	6,060	10,700